

Thai Tap Water Supply Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2008 and 2007

Report of Independent Auditor

To the Shareholders of Thai Tap Water Supply Public Company Limited

I have audited the accompanying consolidated balance sheets of Thai Tap Water Supply Public Company Limited and its subsidiaries as at 31 December 2008 and 2007, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Thai Tap Water Supply Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thai Tap Water Supply Public Company Limited and its subsidiaries and of Thai Tap Water Supply Public Company Limited as at 31 December 2008 and 2007, the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok: 25 February 2009

Thai Tap Water Supply Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2008 and 2007

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets					
Current assets					
Cash and cash equivalents	7	850,643,247	776,850,413	662,386,195	544,505,871
Current investments	8	299,941,088	745,302,296	299,313,882	744,198,000
Restricted bank deposits	9	257,675,630	184,482,989	-	-
Trade accounts receivable	10	346,797,578	292,704,529	232,699,978	185,942,567
Other receivable - related parties	6	89,376	15,888	4,689,068	4,689,068
Raw materials and supplies	11	18,325,519	14,117,081	9,769,627	7,047,168
Advance payment for construction - related party	6	95,838,900	42,592,517	95,838,900	-
Other current assets					
Interest receivable		3,756,494	8,172,404	3,742,395	7,579,098
Prepaid expenses		20,019,186	33,767,709	13,749,124	29,179,560
Withholding tax deducted at souce		33,951,607	13,650,302	302,392	342,629
Others		13,958,434	30,573,897	9,947,176	3,039,168
Total current assets		1,940,997,059	2,142,230,025	1,332,438,737	1,526,523,129
Non-current assets					
Investments in subsidiaries	12	-	-	4,353,336,014	4,575,436,995
Property, plant and equipment, net	13	8,925,500,387	9,196,856,745	8,854,282,058	9,123,572,835
Assets for production of treated water					
that must be transferred at end of concession, net	14	4,134,413,210	4,258,204,690	-	-
Rights to produce and sell treated water, net	15	2,884,138,387	3,079,618,878	-	-
Other non-current assets					
Withholding tax deducted at source		2,559,642	3,634,288	777,227	434,598
Others		7,024,689	604,455	6,664,877	319,300
Total non-current assets		15,953,636,315	16,538,919,056	13,215,060,176	13,699,763,728
Total assets		17,894,633,374	18,681,149,081	14,547,498,913	15,226,286,857

The accompanying notes are an integral part of the financial statements.

Thai Tap Water Supply Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2008 and 2007

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2008	2007	2008	2007
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans					
from financial institutions	16	353,722	3,004,836,140	-	3,000,000,000
Trade accounts payable					
Related party	6	-	-	2,506,683	4,639,703
Unrelated parties		49,207,679	58,896,717	37,643,710	43,162,395
Amounts due to related parties	6	102,580,543	137,340,477	102,547,623	-
Amounts due to unrelated parties		6,696,005	-	-	-
Retention payable					
Related party	6	-	1,251,169	-	-
Unrelated parties		3,897,435	3,177,431	3,598,644	2,514,434
Current portion of long-term loans					
from financial institutions	17	1,103,955,215	1,411,800,000	598,955,215	1,028,800,000
Other current liabilities					
Accrued expenses		45,035,529	47,439,577	19,049,580	25,414,731
Unbilled output tax		21,839,583	20,338,523	13,969,187	12,171,467
Value added tax payable		13,139,877	10,605,934	11,846,754	10,169,802
Others		6,152,938	9,377,417	2,227,050	1,650,360
Total current liabilities		1,352,858,526	4,705,063,385	792,344,446	4,128,522,892
Non-current liabilities					
Retention - subsidiary	6	-	-	5,000,000	5,000,000
Long-term loans from financial institutions,					
net of current portion	17	8,205,390,504	9,261,312,290	5,390,596,937	5,989,509,900
Total non-current liabilities		8,205,390,504	9,261,312,290	5,395,596,937	5,994,509,900
Total liabilities		9,558,249,030	13,966,375,675	6,187,941,383	10,123,032,792

The accompanying notes are an integral part of the financial statements.

Thai Tap Water Supply Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Shareholders' equity					
Share capital	19				
Registered					
3,990,000,000 ordinary shares of Baht 1 each		3,990,000,000	3,990,000,000	3,990,000,000	3,990,000,000
Issued and fully paid up					
3,990,000,000 ordinary shares of Baht 1 each					
(2007: 3,290,000,000 ordinary shares of Baht 1 each)		3,990,000,000	3,290,000,000	3,990,000,000	3,290,000,000
Share premium		2,637,769,601	483,000,000	2,637,769,601	483,000,000
Retained earnings					
Appropriated - statutory reserve	20	399,000,000	399,000,000	399,000,000	399,000,000
Appropriated - other reserve	21	72,446,825	-	72,446,825	-
Unappropriated		1,811,236,880	1,123,774,789	1,260,341,104	931,254,065
Difference on reorganization of business					
of group companies		(600,362,866)	(600,362,866)	-	-
Equity attributable to the company's shareholders		8,310,090,440	4,695,411,923	8,359,557,530	5,103,254,065
Minority interest - equity attributable to minority					
shareholders of subsidiaries		26,293,904	19,361,483	-	-
Total shareholders' equity		8,336,384,344	4,714,773,406	8,359,557,530	5,103,254,065
Total liabilities and shareholders' equity		17,894,633,374	18,681,149,081	14,547,498,913	15,226,286,857
		-	-	-	-

The accompanying notes are an integral part of the financial statements.

Directors

Thai Tap Water Supply Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2008 and 2007

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2008	2007	2008	2007
Revenues					
Sales of treated water	22	3,569,255,805	2,567,034,056	2,355,871,315	1,986,649,568
Service income		36,009,815	23,037,513	-	-
Interest income		30,592,704	32,894,893	22,202,462	27,985,124
Dividend income	12	-	-	97,958,576	-
Other income		2,933,286	265,968	1,620,208	1,280,328
Total revenues		3,638,791,610	2,623,232,430	2,477,652,561	2,015,915,020
Expenses					
Cost of sales of treated water and service		1,176,902,482	780,802,175	629,396,152	532,733,370
Administrative expenses		168,235,617	125,108,434	117,817,822	95,782,563
Amortisation of investments in subsidiaries	12	-	-	222,100,981	102,872,905
Amortisation of rights to produce and sell treated water	15	195,480,491	89,489,925	-	-
Total expenses		1,540,618,590	995,400,534	969,314,955	731,388,838
Income before finance cost and corporate income tax					
		2,098,173,020	1,627,831,896	1,508,337,606	1,284,526,182
Finance cost		(728,698,639)	(670,583,495)	(508,304,897)	(560,057,933)
Income before corporate income tax		1,369,474,381	957,248,401	1,000,032,709	724,468,249
Corporate income tax	24	(2,132,777)	(14,036,874)	-	-
Net income for the year		1,367,341,604	943,211,527	1,000,032,709	724,468,249
Net income attributable to:					
Equity holders of the parent		1,358,407,761	920,051,257	1,000,032,709	724,468,249
Minority interests of the subsidiaries		8,933,843	23,160,270		
		1,367,341,604	943,211,527		
Earnings per share					
25					
Basic earnings per share					
Net income attributable to equity holders of the parent		0.37	0.28	0.27	0.22
Weighted average number of ordinary shares (shares)					
		3,718,415,300	3,253,015,421	3,718,415,300	3,253,015,421

The accompanying notes are an integral part of the financial statements.

Thai Tap Water Supply Public Company Limited and its subsidiaries

Cash flow statements

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash flows from operating activities				
Net income before tax	1,369,474,381	957,248,401	1,000,032,709	724,468,249
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	582,220,464	401,269,161	328,503,885	283,320,416
Amortisation of investments in subsidiaries	-	-	222,100,981	102,872,905
Amortisation of rights to produce and sell treated water	195,480,491	89,489,925	-	-
Loss (Gain) on sales of equipment	(1,270,371)	7,533	(256,457)	-
Dividend income from subsidiary	-	-	(97,958,576)	-
Interest expenses	702,381,019	637,643,540	485,892,271	529,793,573
Income from operating activities before changes in operating assets and liabilities	2,848,285,984	2,085,658,560	1,938,314,813	1,640,455,143
Operating assets (increase) decrease				
Trade accounts receivable	(54,093,049)	40,609,145	(46,757,411)	31,652,978
Other receivable - related parties	(73,488)	(15,888)	-	(117,000)
Raw materials and supplies	(4,208,438)	1,914,013	(2,722,459)	(1,309,380)
Other current assets	34,945,272	(23,823,463)	14,196,163	(10,098,737)
Other non-current assets	(1,476,886)	3,848,940	(1,473,887)	3,698,340
Operating liabilities increase (decrease)				
Trade accounts payable - related party	-	(260,000)	(2,133,020)	88,711
Trade accounts payable - unrelated party	(9,689,038)	8,519,934	(5,518,685)	12,106,125
Amounts due to related parties	(105,706,221)	(495,046,925)	-	-
Amounts due to unrelated parties	6,696,005	-	-	-
Other current liabilities	7,007,224	11,483,905	2,544,753	8,941,776
Cash flows from operating activities	2,721,687,365	1,632,888,221	1,896,450,267	1,685,417,956
Cash paid for corporate income tax	(25,173,301)	(15,291,531)	(302,392)	(342,629)
Net cash flows from operating activities	2,696,514,064	1,617,596,690	1,896,147,875	1,685,075,327

The accompanying notes are an integral part of the financial statements.

Thai Tap Water Supply Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash flows from investing activities				
Decrease (increase) in current investments	445,361,208	(124,803,227)	444,884,118	(199,198,000)
Decrease (increase) in restricted bank deposits	(73,192,641)	19,485,433	-	-
Decrease (increase) in advance payment for construction - related party	42,592,517	(42,592,517)	-	-
Net cash payments for acquisition of investments in subsidiaries	-	(3,498,488,392)	-	(3,998,309,900)
Cash payments for acquisition of investments in subsidiaries from minority interest	-	(360,893,680)	-	-
Increase in property, plant and equipment	(67,033,899)	(101,425,877)	(59,610,976)	(98,643,763)
Increase in assets for production of treated water that must be transferred at end of concession	(114,408,207)	(260,848,305)	-	-
Interest expense capitalised as part of assets	(30,368,052)	(15,994,521)	-	-
Proceeds from disposal of equipment	3,707,266	-	654,325	-
Dividend received from subsidiary	-	-	97,958,576	20,000,000
Increase (decrease) in retention payable	(531,165)	1,642,153	1,084,210	364,723
Net cash flows from (used in) investing activities	<u>206,127,027</u>	<u>(4,383,918,933)</u>	<u>484,970,253</u>	<u>(4,275,786,940)</u>
Cash flows from financing activities				
Net cash received from issuance of additional ordinary shares	2,854,769,600	48,000,000	2,854,769,600	48,000,000
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(3,004,482,418)	2,983,890,996	-3,000,000,000	3,000,000,000
Increase in long-term loans from financial institutions	83,000,000	1,526,424,058	-	998,309,900
Decrease in long-term loans from financial institutions	(1,446,766,571)	(700,000,000)	-1,028,757,748	-700,000,000
Cash paid for interest expenses	(714,868,601)	(633,772,703)	(490,750,811)	(526,551,011)
Dividend paid for minority interest	(2,001,422)	-	-	-
Dividend paid	(598,498,845)	(162,500,000)	(598,498,845)	(162,500,000)
Net cash flows from (used in) financing activities	<u>(2,828,848,257)</u>	<u>3,062,042,351</u>	<u>(2,263,237,804)</u>	<u>2,657,258,889</u>
Net increase in cash and cash equivalents	<u>73,792,834</u>	<u>295,720,108</u>	<u>117,880,324</u>	<u>66,547,276</u>
Cash and cash equivalents at beginning of year	<u>776,850,413</u>	<u>481,130,305</u>	<u>544,505,871</u>	<u>477,958,595</u>
Cash and cash equivalents at end of year	<u>850,643,247</u>	<u>776,850,413</u>	<u>662,386,195</u>	<u>544,505,871</u>
	-	-	-	-
Supplemental cash flows information				
Non-cash transactions				
Transfer deposits for purchase of land to land	-	15,000,000	-	15,000,000

The accompanying notes are an integral part of the financial statements.

Thai Tap Water Supply Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Consolidated financial statements								
	Equity attributable to the parent's shareholders								
	Retained earnings					Difference on reorganization of business of group companies	Total equity attributable to the parent's shareholders	Minority interest - equity attributable to minority shareholders of subsidiaries	Total
	Issued and paid-up		Appropriated - statutory reserve	Appropriated - other reserve	Unappropriated				
share capital	Share premium								
Balance as at 31 December 2006	3,250,000,000	475,000,000	51,602,277	-	713,621,255	(600,362,866)	3,889,860,666	-	3,889,860,666
Net income for the year	-	-	-	-	920,051,257	-	920,051,257	23,160,270	943,211,527
Dividend paid (Note 28)	-	-	-	-	(162,500,000)	-	(162,500,000)	-	(162,500,000)
Unappropriated retained earnings transferred to statutory reserve (Note 20)	-	-	347,397,723	-	(347,397,723)	-	-	-	-
Share capital issued (Note 19)	40,000,000	8,000,000	-	-	-	-	48,000,000	-	48,000,000
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(3,798,787)	(3,798,787)
Balance as at 31 December 2007	3,290,000,000	483,000,000	399,000,000	-	1,123,774,789	(600,362,866)	4,695,411,923	19,361,483	4,714,773,406
Balance as at 31 December 2007	3,290,000,000	483,000,000	399,000,000	-	1,123,774,789	(600,362,866)	4,695,411,923	19,361,483	4,714,773,406
Net income for the year	-	-	-	-	1,358,407,761	-	1,358,407,761	8,933,843	1,367,341,604
Dividend paid (Note 28)	-	-	-	-	(598,498,845)	-	(598,498,845)	-	(598,498,845)
Unappropriated retained earnings transferred to other reserve (Note 21)	-	-	-	72,446,825	(72,446,825)	-	-	-	-
Share capital issued (Note 19)	700,000,000	2,154,769,601	-	-	-	-	2,854,769,601	-	2,854,769,601
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(2,001,422)	(2,001,422)
Balance as at 31 December 2008	3,990,000,000	2,637,769,601	399,000,000	72,446,825	1,811,236,880	(600,362,866)	8,310,090,440	26,293,904	8,336,384,344

The accompanying notes are an integral part of the financial statements.

Thai Tap Water Supply Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Separate financial statements					
	Issued and paid-up		Retained earnings			
	share capital	Share premium	Appropriated - statutory reserve	Appropriated - other reserve	Unappropriated	Total
Balance as at 31 December 2006	3,250,000,000	475,000,000	51,602,277	-	716,683,539	4,493,285,816
Net income for the year	-	-	-	-	724,468,249	724,468,249
Dividend paid (Note 28)	-	-	-	-	(162,500,000)	(162,500,000)
Unappropriated retained earnings						
transferred to statutory reserve (Note 20)	-	-	347,397,723	-	(347,397,723)	-
Share capital issued (Note 19)	40,000,000	8,000,000	-	-	-	48,000,000
Balance as at 31 December 2007	3,290,000,000	483,000,000	399,000,000	-	931,254,065	5,103,254,065
Balance as at 31 December 2007	3,290,000,000	483,000,000	399,000,000	-	931,254,065	5,103,254,065
Net income for the year	-	-	-		1,000,032,709	1,000,032,709
Dividend paid (Note 28)	-	-	-	-	(598,498,845)	(598,498,845)
Unappropriated retained earnings						
transferred to other reserve (Note 21)	-	-	-	72,446,825	(72,446,825)	-
Share capital issued (Note 19)	700,000,000	2,154,769,601	-	-	-	2,854,769,601
Balance as at 31 December 2008	3,990,000,000	2,637,769,601	399,000,000	72,446,825	1,260,341,104	8,359,557,530

The accompanying notes are an integral part of the financial statements.

Thai Tap Water Supply Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the years ended 31 December 2008 and 2007

1. Corporate information

Thai Tap Water Supply Public Company Limited (“the Company”) was incorporated as a limited company under the Civil and Commercial Code on 11 September 2000 and registered the change of its status to a public company limited under the Public Limited Companies Act B.E. 2535 on 6 July 2006. The Company operates in Thailand and its major shareholder is CH. Karnchang Public Company Limited, which was also incorporated in Thailand. The Company is principally engaged in the production and sale of treated water to the Provincial Waterworks Authority (PWA) in the Amphur Nakorn Chaisri, Amphur Sam Pran, and Amphur Budha Monthon areas of Nakhon Pathom and the Amphur Muang and Amphur Kratumban areas of Samut Sakhon, under the “Water Purchase Agreement” made with the PWA dated 21 September 2000, which covers a period of 30 years as from the Actual Commencement Date (21 July 2004), and under the Concession to operate treated water granted by the Ministry of Natural Resources and Environment (the Concessionaire) for a period of 25 years commencing on 11 March 2005. The Company has to comply with certain conditions as stipulated in the Water Purchase Agreement and the Concession.

The terms of the Concession include certain significant conditions, such as that when the Company has completed half of the concession period, if the government or the local government agency wish to purchase the water production business of the Company, the Concessionaire is entitled to cancel the concession in order to purchase it, or permit the relevant local government agency to purchase it, at market price. However, it must provide the Company with advance notice of six months of such action.

The Company’s registered address is 30/10 Moo 12, Budha Monthon 5 Road, RaiKhing, Sam Pran, Nakhon Pathom.

On 29 December 2008, the Company entered into an amendment of the Water Purchase Agreement made with the PWA. Under this amendment, the Company agrees to sell treated water in addition to that under original agreement within 660 days commencing from the date in the amendment, in the quantity and at the price stipulated in the agreement.

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from such financial statements in Thai language.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of the Company (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
			<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
			Percent	Percent	Percent	Percent	Percent	Percent
WaterFlow Company Limited	Operating and maintenance of water supply project	Thailand	100	100	0.37	0.39	-	0.01
Pathum Thani Water Company Limited	Production and sale of treated water in Pathumthani	Thailand	98	98	25.87	25.27	33.61	22.30
BJT Water Company Limited (100 percent held by Pathum Thani Water Company Limited)	Operating and maintenance of water supply project	Thailand	98 (Indirect holding)	98 (Indirect holding)	0.33	0.53	1.02	0.89

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent significant accounting policies.
- d) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- e) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

2.3 The separate financial statements, which present investments in subsidiaries presented under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

3.1 Accounting standards which are effective for the current year

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 mandating the use of new accounting standards as follows.

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 29, TAS 39, TAS 43 and TAS 49 are not relevant to the business of the Company, while TAS 25, TAS 31, TAS 33, TAS 35, TAS 41 and TAS 51 do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

The Federation of Accounting Professions (FAP) has also issued Notifications No. 86/2551 mandating the use of the following new accounting standards.

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. Significant accounting policies

4.1 Revenues recognition

Sales of treated water

Sales of treated water are recognised when the Company and a subsidiary supply the water to the Provincial Waterworks Authority, and comprise the invoiced value, excluding value added tax, of the treated water supplied, after deducting discounts and allowances.

Service income

Service income presents the invoiced value, excluding value added tax, of services rendered.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

Dividends are recognised when the right to receive the dividends is established.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

4.4 Raw materials and supplies

Raw materials and supplies are valued at the lower of cost (first - in, first - out method) and net realisable value and are charged to treated water production costs whenever consumed.

4.5 Investments in subsidiaries

Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

Investment costs of subsidiaries are the values paid for their acquisition. The subsidiary is engaged in business under the agreement for the production and sale of treated water with the Provincial Waterworks Authority and concessions granted by state enterprises or government agencies, which have defined fixed periods of operation, as stipulated in the agreement and concessions; and the subsidiary has committed to transfer most of its assets used in the operation to the Provincial Waterworks Authority. Hence, parts of the investment cost are deemed to be investments in the acquisition of rights to operate business under the agreement and concessions, and are amortised on a straight-line basis over the remaining periods of the agreements, commencing from the date of investment in the subsidiary. This amortised amount is presented as amortisation of investments in subsidiary, and recognised as an expense in the statements of income.

In addition, parts of the investment cost in the subsidiary to which the Company transferred most of its operations after investment, in order to reduce future operating costs, was amounts paid for acquisition of such operations. These are amortised on a straight-line basis over the remaining period of the Water Purchase Agreement made between the Company and the Provincial Waterworks Authority, commencing from the date of investing in the subsidiary, and presented as amortisation of investments in subsidiary. The amortised amount is recognised as expense in the statements of income.

4.6 Property, plant and equipment and depreciation

Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation for assets is generally calculated by reference to their costs on the straight-line basis over estimated useful lives of 3, 5 and 10 years. However depreciation of the Company's assets used for production of treated water is calculated using the units-of-production method, based on the following formula:

$$\begin{aligned}\text{Depreciation for the period} &= \text{Net assets for production of treated water at the beginning of period} \times \text{Percentage of treated water produced in the period} \\ \text{Percentage of treated water produced in the period} &= \frac{\text{Current period's actual production of treated water}}{(\text{Actual production of treated water for the period} + \text{Projected total production of treated water over the remaining term of the Water Purchase Agreement})} \\ \text{Net assets for production of treated water as at the beginning of the period} &= \text{Total assets for production of treated water} - \text{Accumulated depreciation as at the beginning of the period}\end{aligned}$$

Assets for production of treated water consist of costs of construction of a water treatment plant and distribution system, and related interest expenses and financial costs.

Depreciation is included in determining income.

No depreciation is charged for land and construction in progress.

4.7 Assets for production of treated water that must be transferred at end of concession and amortisation

Assets for production of treated water of Pathum Thani Water Company Limited that will be transferred to the Provincial Waterworks Authority at the end of the concession to produce and sell treated water (land, water treatment plant and distribution system) are stated at cost less accumulated amortisation. Amortisation of assets for production of treated water is calculated using the units-of-production method, based on the following formula:

$$\begin{aligned}
 \text{Amortisation for the period} &= \text{Net assets for production of treated water at the beginning of period} \times \text{Percentage of treated water produced in the period} \\
 \text{Percentage of treated water produced in the period} &= \frac{\text{Current period's actual production of treated water}}{(\text{Actual production of treated water for the period} + \text{Projected total production of treated water over the remaining term of concession for production and sale of treated water})} \\
 \text{Net assets for production of treated water that must be transferred at end of concession as at the beginning of the period} &= \text{Total assets for production of treated water that must be transferred at end of concession} - \text{Accumulated amortisation as at the beginning of the period}
 \end{aligned}$$

Amortisation is included in determining income.

Construction in progress is stated at cost and is not amortised.

4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.9 Rights to produce and sell treated water

Rights to produce and sell treated water, which arose as a result of the acquisition of ordinary shares in Pathum Thani Water Company Limited being made at a cost higher than the fair value of this subsidiary, is regarded as an intangible asset with a definite life. It is carried at cost less any accumulated amortization and any impairment losses.

The Company amortises it on a straight-line basis over the remaining period of the subsidiary's agreement for the production and sale of treated water, starting from the acquisition date, (approximately 16 years) and tested for impairment whenever there is an indication that it may be impaired. The amortization period and the amortization method for rights to produce and sell treated water are reviewed at least at each financial year end. The amortization expense is charged to the income statement.

4.10 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

4.11 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the balance sheet date.

Gains and losses on exchange are included in determining income.

4.12 Impairment of assets

At each reporting date, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company also carries out annual impairment reviews in respect of rights to produce and sell treated water. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

4.13 Employee benefits

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

4.14 Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

5. Use of accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarized below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
<u>Transactions with subsidiary company</u>					
(eliminated from the consolidated financial statements)					
Other income	-	-	1.3	1.3	Based on contract
Cost of production of treated water	-	-	28.7	23.1	Based on contract
<u>Transactions with related parties</u>					
Service fee	0.8	3.2	-	-	Based on contract
Purchase of investment in subsidiary	-	-	-	3,867.6	Based on contract
Assets for production of treated water that must be transferred at end of concession					
	77.8	302.4	-	-	Based on contract
Interest expense	-	5.8	-	-	Interest rate at MLR - 0.5% p.a.

The balances of the accounts as at 31 December 2008 and 2007 between the Company and those related companies are as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Other receivable - related parties</u>				
<u>Subsidiary</u>				
- WaterFlow Company Limited	-	-	4,689,068	4,689,068
	-	-	4,689,068	4,689,068
<u>Related company</u>				
- CH. Karnchang Public Company Limited	89,376	15,888	-	-
	89,376	15,888	-	-
	89,376	15,888	4,689,068	4,689,068
<u>Advance payment for construction - related party</u>				
- CH. Karnchang Public Company Limited	95,838,900	42,592,517	95,838,900	-
	95,838,900	42,592,517	95,838,900	-

(Unit: Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Trade accounts payable - related party</u>				
<u>Subsidiary</u>				
- WaterFlow Company Limited	-	-	2,506,683	4,639,703
	-	-	2,506,683	4,639,703
<u>Amounts due to related parties</u>				
- CH. Karnchang Public Company Limited	102,580,543	24,033,416	102,547,623	-
- Pathum Thani Operations Company Limited	-	113,300,699	-	-
- CK. Office Tower Company Limited	-	6,362	-	-
	102,580,543	137,340,477	102,547,623	-
<u>Retention payable - related party</u>				
- CH. Karnchang Public Company Limited	-	1,251,169	-	-
	-	1,251,169	-	-
<u>Retention - subsidiary</u>				
- WaterFlow Company Limited	-	-	5,000,000	5,000,000
	-	-	5,000,000	5,000,000

Directors and management's remuneration

In 2008 the Company and the subsidiaries paid salaries, bonus, meeting allowance and gratuities to their directors and management totaling Baht 40.9 million (Separate financial statements: Baht 22.2 million) (2007: Baht 26.8 million, Separate financial statements: Baht 20.0 million).

7. Cash and cash equivalents

The Company and a subsidiary have pledged their rights to receive deposits from bank accounts with outstanding balances as at 31 December 2008 and 2007 of approximately Baht 796.4 million and Baht 627.9 million, respectively (Separate financial statements: Baht 662.4 million and Baht 544.5 million, respectively) with groups of lenders to secure long-term loans of the Company and the subsidiary. The Company and the subsidiary are able to withdraw these deposits for the use of regular operating expenses.

8. Current investments

The balances of current investments represent the six-month period to twelve-month period fixed deposits, carrying interest between 2.25 and 3.625 percent per annum. The Company has pledged these fixed deposits with outstanding balance as at 31 December 2008 totaling Baht 299.3 million to secure long-term loans of the Company (2007: Baht 774.2 million).

9. Restricted bank deposits

The outstanding balance as at 31 December 2008 comprised fixed deposits with a local commercial bank of Baht 257.7 million, set aside as a reserve for repayment at principal and interest. This comprises one of the principal installment, which is payable semi-annually, and three of the interest installments, which are payable monthly, and is required under the provisions of the long-term loan agreement of a subsidiary.

10. Trade accounts receivable

As at 31 December 2008 and 2007, the outstanding balances of trade accounts receivable was over due less than 3 months.

11. Raw materials and supplies

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Raw materials	4,405,595	3,193,131	2,205,907	1,995,822
Spare parts	13,919,924	10,923,950	7,563,720	5,051,346
Total	<u>18,325,519</u>	<u>14,117,081</u>	<u>9,769,627</u>	<u>7,047,168</u>

12. Investments in subsidiaries

(Unit: Baht)

Company's name	Separate financial statements							
	Paid-up capital		Shareholding percentage		Investments at cost		Dividend received for the year ended 31 December	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	Million	Million	Percent	Percent				
WaterFlow Company Limited	10	10	100	100	700,000,000	700,000,000	20,000,000	20,000,000
Pathum Thani Water Company Limited and its subsidiary	1,200	1,200	98	98	<u>3,998,309,900</u>	<u>3,998,309,900</u>	<u>97,958,576</u>	-
					4,698,309,900	4,698,309,900	117,958,576	20,000,000
Less: Accumulated amortisation of investments in subsidiaries					(324,973,886)	(102,872,905)	-	-
Less: Dividend received from income before purchase of shares					<u>(20,000,000)</u>	<u>(20,000,000)</u>	-	-
Total					<u>4,353,336,014</u>	<u>4,575,436,995</u>	<u>117,958,576</u>	<u>20,000,000</u>

The Company has pledged some of shares in Pathum Thani Water Company Limited with the group of lenders to secure parts of the long-term loans obtained from these lenders by the Company and Pathum Thani Water Company Limited.

13. Property, plant and equipment

(Unit: Baht)

Consolidated financial statements								
	Land	Assets for production of treated water	Construction in progress	Building and building improvement	Furniture and office equipment	Motor vehicles	Tools	Total
Cost:								
31 December 2007	442,328,402	9,569,024,471	-	2,484,288	45,825,931	28,199,998	22,292,189	10,110,155,279
Additions	-	-	50,728,350	1,634,961	5,309,962	8,896,140	464,486	67,033,899
Disposals/ written off	-	-	-	-	(1,331,448)	(5,599,000)	(2,000,000)	(8,930,448)
Transfer in (out)	-	-	(5,884,018)	5,774,018	110,000	-	-	-
Reclassification	9,936,000	(22,315,406)	12,379,406	-	-	-	-	-
31 December 2008	452,264,402	9,546,709,065	57,223,738	9,893,267	49,914,445	31,497,138	20,756,675	10,168,258,730
Accumulated depreciation:								
31 December 2007	-	848,506,446	-	591,720	35,779,781	16,292,635	12,127,952	913,298,534
Depreciation for the year	-	321,901,907	-	1,317,881	3,926,811	4,669,799	3,684,448	335,500,846
Depreciation transferred to								
cost of assets	-	-	-	-	87,715	364,801	-	452,516
Depreciation on								
disposals/ written off	-	-	-	-	(1,129,774)	(4,627,314)	(736,465)	(6,493,553)
31 December 2008	-	1,170,408,353	-	1,909,601	38,664,533	16,699,921	15,075,935	1,242,758,343
Net book value:								
31 December 2007	442,328,402	8,720,518,025	-	1,892,568	10,046,150	11,907,363	10,164,237	9,196,856,745
31 December 2008	452,264,402	8,376,300,712	57,223,738	7,983,666	11,249,912	14,797,217	5,680,740	8,925,500,387
Depreciation for the year								
2007 (Baht 280 million included in cost of sales of treated water and service, and the balance in administrative expenses)								288,893,538
2008 (Baht 328 million included in cost of sales of treated water and service, and the balance in administrative expenses)								335,500,846

(Unit: Baht)

Separate financial statements								
	Land	Assets for production of treated water	Construction in progress	Building and building improvement	Furniture and office equipment	Motor vehicles	Tools	Total
Cost:								
31 December 2007	387,595,902	9,569,024,472	-	2,484,288	8,020,964	9,007,321	7,248,870	9,983,381,817
Additions	-	-	50,728,350	1,634,961	3,346,263	3,880,000	21,402	59,610,976
Disposals	-	-	-	-	(35,948)	(700,000)	-	(735,948)
Transfer in (out)	-	-	(5,884,018)	5,774,018	110,000	-	-	-
Reclassification	9,936,000	(22,315,406)	12,379,406	-	-	-	-	-
31 December 2008	397,531,902	9,546,709,066	57,223,738	9,893,267	11,441,279	12,187,321	7,270,272	10,042,256,845
Accumulated depreciation:								
31 December 2007	-	848,506,445	-	591,720	3,462,543	5,412,239	1,836,035	859,808,982
Depreciation for the year	-	321,901,907	-	1,317,881	1,883,300	1,949,760	1,451,037	328,503,885
Depreciation on disposals	-	-	-	-	(30,794)	(307,286)	-	(338,080)
31 December 2008	-	1,170,408,352	-	1,909,601	5,315,049	7,054,713	3,287,072	1,187,974,787
Net book value:								
31 December 2007	387,595,902	8,720,518,027	-	1,892,568	4,558,421	3,595,082	5,412,835	9,123,572,835
31 December 2008	397,531,902	8,376,300,714	57,223,738	7,983,666	6,126,230	5,132,608	3,983,200	8,854,282,058
Depreciation for the year								
2007 (Baht 280 million included in cost of sales of treated water and service, and the balance in administrative expenses)								283,320,416
2008 (Baht 324 million included in cost of sales of treated water and service, and the balance in administrative expenses)								328,503,885

The Company has mortgaged land and assets for production of treated water with a total net book value as at 31 December 2008 of Baht 8,774 million (2007: Baht 9,086 million) with a group of lenders to secure long-term loan facilities obtained from the group of lenders.

As at 31 December 2008, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 38.9 million (2007: Baht 36 million) (Separate financial statements: Baht 3.3 million, 2007: Baht 3 million).

14. Assets for production of treated water that must be transferred at end of concession

(Unit: Baht)

	Consolidated financial statements			
	Water treatment plant and local distribution treated water			
	Land	system	Construction in progress	Total
Cost:				
31 December 2007	413,087,705	5,118,164,881	694,970,819	6,226,223,405
Additions	-	-	122,928,138	122,928,138
Transfer in (out)	-	815,538,125	(815,538,125)	-
31 December 2008	413,087,705	5,933,703,006	2,360,832	6,349,151,543
Accumulated amortisation:				
31 December 2007	150,425,607	1,817,593,108	-	1,968,018,715
Amortisation for the year	16,471,966	230,247,652	-	246,719,618
31 December 2008	166,897,573	2,047,840,760	-	2,214,738,333
Net book value				
31 December 2007	262,662,098	3,300,571,773	694,970,819	4,258,204,690
31 December 2008	246,190,132	3,885,862,246	2,360,832	4,134,413,210
Amortisation for the year included in cost of sales of treated water in the income statements				
2007				112,375,623
2008				246,719,618

Assets for production of treated water of Pathum Thani Water Company Limited will be transferred to the Provincial Waterworks Authority after the end of the 25-year concession to produce and sell treated water.

Pathum Thani Water Company Limited has mortgaged its land, water treatment plant and local distribution treated water system with a group of lenders to secure the long-term loan facilities and bank overdrafts obtained from the group of lenders.

15. Rights to produce and sell treated water

(Unit: Baht)

	Consolidated financial statements	
	31 December 2008	31 December 2007
Rights to produce and sell treated water	3,169,108,803	3,169,108,803
Less: Accumulated amortisation of rights to produce and sell treated water	(284,970,416)	(89,489,925)
Rights to produce and sell treated water, net	2,884,138,387	3,079,618,878

16. Bank overdrafts and short-term loans from financial institutions

(Unit: Baht)

	Interest rates (% p.a.)	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Short-term loans from banks	MLR	-	3,000,000,000	-	3,000,000,000
Bank overdrafts	MOR, MOR + 0.125%	353,722	4,836,140	-	-
		353,722	3,004,836,140	-	3,000,000,000

During the year 2008, the Company repaid the short-term loans from financial institutions in full.

Bank overdrafts of a subsidiary are secured by the mortgage of the subsidiary's land and construction thereon, the pledge of the subsidiary's fixed deposits and share certificates, the assignment of the subsidiary's rights under its concession and a construction contract, its rights to treat and distribute water, its rights to receipt of income from the Provincial Waterworks Authority, its rights to receive deposits from bank accounts, and its beneficiary rights under insurance policies.

17. Long-term loans from financial institutions

(Unit: Baht)

Loan	Interest rate (%)	Repayment schedule	Consolidated financial statements		Separate financial statements	
			2008	2007	2008	2007
1	MLR – 1%	Quarterly installments as from January 2005 to October 2016	5,016,200,000	6,020,000,000	5,016,200,000	6,020,000,000
2	MLR , MLR – 0.5%	Quarterly installments as from October 2008 to October 2016	973,352,152	998,309,900	973,352,152	998,309,900
3	MLR – 0.5%	Semi-annual installments as from June 2005 to December 2015	2,626,932,846	2,954,802,390	-	-
4	MLR	Semi-annual installments as from June 2008 to December 2012	692,860,721	700,000,000	-	-
Total			9,309,345,719	10,673,112,290	5,989,552,152	7,018,309,900
Less: Current portion			(1,103,955,215)	(1,411,800,000)	(598,955,215)	(1,028,800,000)
Long-term loans, net			8,205,390,504	9,261,312,290	5,390,596,937	5,989,509,900

The Company

The Company's loans are secured by the mortgage of the Company's land and construction thereon, the pledge of fixed-term bank deposits of the Company and the share certificates for the Company's shares and some of the shares in Pathum Thani Water Company Limited and the assignment of the Company's rights under the sales of treated water contract, its rights to funds deposited in bank accounts, and the beneficiary rights under insurance policies.

These loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity ratio according to the agreements.

Pathum Thani Water Company Limited

The loans of Pathum Thani Water Company Limited are secured by the mortgage of that company's land and construction thereon, the pledge of that company's fixed deposits and share certificates and share certificates in BJT Water Company Limited, the assignment of that company's rights under its concession and a construction contract, its rights to treat and distribute water, its rights to receipt of income from the Provincial Waterworks Authority, its rights to receive deposits from bank accounts, and its beneficiary rights under insurance policies.

The loan agreements contain covenants as specified in the agreements that, among other things, require that company to maintain certain financial ratio according to the agreements.

18. Debentures

On 17 December 2008, and Extraordinary General Meeting of the Company's shareholders No. 1/2008 resolved that the Company's issuance and offering for sale of debt instruments in the form of bills and/or debentures not exceeding Baht 7,500 million. Such bills and/or debentures maturity date shall not be exceeded 10 years from the date of issuance of the bills and/or debentures. The debentures may be offered for sale in Thailand and/or abroad, to the public and/or institutional investors and/or high net worth investors and/or specific investors and/or any other persons according to Notification of the Securities and Exchange Commission and/or Notification of the Office of the Securities and Exchange Commission, which may be offered once or several times and/or on a revolving basis or in any other manner. The Board of Directors or the Managing Director or the person designated by the Board of Directors or the Managing Director are granted authority to consider and determine criteria, conditions and other details relating to the issuance and offering for sale of bills and/or debentures which have not yet been determined as necessary and appropriate according to the laws.

19. Share capital

On 26 September 2006, an Extraordinary General Meeting of the Company's shareholders passed a resolution approving the increase of the Company's registered share capital from Baht 3,250 million to Baht 3,990 million through the issuance of 740 million new ordinary shares with a par value of Baht 1 each. The allocation of the additional ordinary shares is to be as follows:

- 1) 40 million ordinary shares are to be allocated and offered, in whole or in part, to directors, management, and employees of the Company and employees of WaterFlow Company Limited at a price equivalent to book value as at the latest fiscal year-end (Baht 1.2 per share).
- 2) 700 million ordinary shares are to be allocated and offered to the public.

On 24 October 2006, the Company registered an increase in its share capital with the Ministry of Commerce.

Subsequently, on 3 December 2007 the Company issued 40 million new ordinary shares with a par value of Baht 1 each, which it offered to directors, management, and employees of the Company and employees of WaterFlow Company Limited at an offer price of Baht 1.2 per share, or a total of Baht 48 million, with additional share premium of Baht 8 million. The Company received payment for the additional shares in December 2007 and registered the increase in its paid up share capital with the Ministry of Commerce on 18 December 2007.

During 12 to 13 May 2008, the Company made a public offering of the 700 million additional shares at a price of Baht 4.20 per share, or for a total of Baht 2,940 million and on 20 May 2008 received payment of this share capital increment. All expenses related to the share offering amounting to Baht 85.2 million are presented as a deduction from the share premium. The Company registered the increase in its paid-up capital with the Ministry of Commerce on 20 May 2008.

20. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

21. Other reserve

According to the amendment of the concession to operate treated water dated 20 March 2008, prior to paying a dividend the Company is required to set aside 10 percent of its annual net income to other reserve. During the second quarter of the year 2008, the Company allocated Baht 72.4 million from its net income for the year 2007 to other reserve.

22. Sales of treated water

Sales of treated water of the Company as presented in the income statements for the years ended 31 December 2008 and 2007 included revenues from the Provincial Waterworks Authority amounting to Baht 19.3 and 26.2 million, respectively, which were received because actual quantities of water purchased by the Provincial Waterworks Authority over stipulated periods of 6 months were lower than the minimum off take quantity to which it has committed under the "Water Purchase Agreement".

23. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Salary and wages and other				
employee benefits	100,457,484	67,362,726	29,959,705	24,956,753
Depreciation	335,500,846	288,893,538	328,503,885	283,320,416
Amortisation of assets for production of				
treated water that must be				
transferred at end of concession	246,719,618	112,375,623	-	-
Amortisation of investments in				
subsidiaries	-	-	222,100,981	102,872,905
Operate and maintenance expenses	-	-	28,732,053	23,148,209
Production and maintenance cost	510,165,601	305,584,907	247,032,466	203,997,709

24. Promotional privileges

The Company has received promotional privileges from the Board of Investment for production of treated water, pursuant to the promotion certificate No. 1382(2)/2545 issued on 19 June 2002. Subject to certain imposed conditions, the main privileges include the following:

- Exemption of import duty on imported machinery under specified condition.
- Exemption from corporate income tax on net income from promoted operations for a period of eight years from the date the promoted operations commenced generating revenues (21 July 2004).

The Company's operating revenues for the years are below shown dividend according to promoted and non-promoted operations.

(Unit: Baht)

	Promoted operations		Non-promoted operations		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Sales of treated water	2,355,871,315	1,986,649,568	-	-	2,355,871,315	1,986,649,568

No corporate income tax was payable on the net income from non-promoted operations for the years ended 31 December 2008 and 2007, since the Company had tax loss brought forward from previous years over its net income for the years.

25. Earnings per share

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year.

26. Financial information by segment

The Company's and the subsidiaries' operations involve a single industry segment, the production and sell of treated water and are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating profits and assets reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

27. Provident fund

The Company and its subsidiaries have established provident funds jointly with their employees in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiaries and their employees contribute to the funds monthly at a rate of 5 percent of basic salary. The funds, which are managed by TMB Asset Management Company Limited and Kasikorn Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2008, the Company and the subsidiaries contributed Baht 3.2 million (Separate financial statements: Baht 0.9 million) (2007: Baht 1.6 million, Separate financial statements: Baht 0.8 million) to the funds.

28. Dividends

(Unit: Baht)			
<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
An interim dividend from the earnings of the promoted operations for the period from 1 July 2006 to 31 December 2006 to the shareholders listed in the share register book as at 19 March 2007.	Annual General Meeting of the Company's shareholders for the year 2007 on 10 April 2007.	162,500,000	0.05
Total dividend for 2007		<u>162,500,000</u>	
Dividends from the earnings of the promoted operations for the year 2007 to the shareholders listed in the share register book as at 20 November 2008.	Extraordinary General Meeting of the Company's shareholders No.1/2008 on 17 December 2008.	598,498,845	0.15
Total dividend for 2008		<u>598,498,845</u>	

29. Commitments and contingent liabilities

29.1 Capital commitments

As at 31 December 2008, the Company had capital commitments of Baht 1,081.4 million relating to construction work of water treatment plant.

29.2 Service commitments and other commitments

- a) The Company has entered into an operation and maintenance agreement with WaterFlow Company Limited, whereby the subsidiary is to manage the production and supply of treated water and maintenance. Under the conditions of the agreement, the Company is to pay service fees at a rate stipulated in the agreement.
- b) Pathum Thani Water Company Limited has entered into a maintenance agreement with BJT Water Company Limited, whereby its subsidiary is to maintenance. Under the conditions of the agreement, Pathum Thani Water Company Limited is to pay service fees at a rate stipulated in the agreement.
- c) As at 31 December 2008, a subsidiary had commitments totaling Baht 4.3 million under a rental service agreement and under other service agreements.
- d) The Company has commitments of not more than Baht 162 million in respect of an undertaking to provide cash support to Pathum Thani Water Company Limited should that such company face a cash shortage, as stipulated in the Sponsor Support Agreement between the Company and a group of lenders of that subsidiary.

29.3 Bank guarantees

As at 31 December 2008, there were outstanding bank guarantees of approximately Baht 257.8 million issued by banks on behalf of the Company and its subsidiaries in the normal course of business. These included letters of guarantee amounting to Baht 209.6 million required under the Water Purchase Agreement with the Provincial Waterworks Authority, Baht 48.2 million to guarantee electricity use (Separate financial statements: Baht 50.0 million under the Water Purchase Agreement with the Provincial Waterworks Authority and Baht 15.9 million to guarantee electricity use).

29.4 Litigation

Pathum Thani Water Company Limited

In August 2004, a person filed submitted a dispute to the Thai Justice Arbitration Institute for a decision in relation to a complaint against Pathum Thani Water Company Limited (second defendant) and the Provincial Water Authority (first defendant), claiming compensation totaling approximately Baht 64.5 million for a tort against this person in the course of the construction of a water treatment plant. On 24 October 2007, the Arbitral Tribunal ordered the dismissal of the dispute.

Subsequently, on 20 December 2006, the person filed suit with the Administrative Court seeking to overturn the order of the Arbitral Tribunal dismissing the dispute.

However, no provision for loss from that dispute was set aside in the account since the management of Pathum Thani Water Company Limited believes that there is no material financial damage that will be arise as a result of this dispute.

30. Discount on sales of treated water

The Water Purchase Agreement between the Company and the Provincial Waterworks Authority stipulates that the Company has to pay compensation to the Provincial Waterworks Authority for the cost saving as a result of the Company not being required to supply shortfall quantities. The compensation is calculated by multiplying the amount by which the actual quantity of treated water purchased is less than the minimum offtake quantity by the discount rate stipulated in the agreement. Under the agreement, compensation is to be accumulated and later paid to the Provincial Waterworks Authority by means of a deduction against treated water charges for quantities in excess of the minimum offtake quantity that the Provincial Waterworks Authority has to pay the Company, beginning when the Company has paid all indebtedness due to the lenders under the long-term loans agreement, and discharged all obligations thereunder. The amount of compensation calculated from the year 2004 to 2007 amounts to Baht 24 million and the Company's managements believe that the probability of such compensation being paid is low. The Company has not recorded this as a deduction against sales in the accounts.

31. Financial instruments

31.1 Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investments, trade accounts receivable, restricted bank deposits, bank overdrafts, trade accounts payable, amounts due to related parties and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable and there is a high concentration of risk since the Company and its subsidiaries have only one major customer, the Provincial Waterworks Authority. However, because the Provincial Waterworks Authority is a government agency, the Company and its subsidiaries do not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the balance sheet.

Interest rate risk

The Company's and its subsidiaries' exposures to interest rate risk relate primarily to their cash at financial institutions, bank overdrafts and long-term borrowings. However, since most of the Company's and the subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2008 classified by type of interest rates are summarized in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements

	Fixed interest rates						Effective interest rate (% p.a.)
	Within	1-5	Over	Floating	Non- interest	Total	
	1 year	years	5 years	interest rate	bearing		
	(Million Baht)						
Financial assets							
Cash and cash equivalents	-	-	-	851	-	851	0.5 - 2.25
Current investments	300	-	-	-	-	300	2.25 - 3.625
Trade accounts receivable	-	-	-	-	347	347	-
Restricted bank deposit	258	-	-	-	-	258	2.625
	558	-	-	851	347	1,756	
Financial liabilities							
Trade accounts payable	-	-	-	-	49	49	
Amounts due to related parties	-	-	-	-	103	103	
Long-term loans	-	-	-	9,309	-	9,309	MLR - 1, MLR - 0.5, MLR
	-	-	-	9,309	152	9,461	

Separate financial statements

	Fixed interest rates						
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- interest bearing	Total	Effective interest rate
	(Million Baht)						(% p.a.)
Financial assets							
Cash and cash equivalents	-	-	-	662	-	662	0.5 - 2.25
Current investments	299	-	-	-	-	299	2.25 - 3.50
Trade accounts receivable	-	-	-	-	233	233	-
	299	-	-	662	233	1,194	
Financial liabilities							
Trade accounts payable	-	-	-	-	40	40	-
Amounts due to related parties	-	-	-	-	103	103	-
Long-term loans	-	-	-	5,990	-	5,990	MLR - 1, MLR - 0.5
	-	-	-	5,990	141	6,131	

Foreign currency risk

The Company and its subsidiaries do not consider themselves exposed to foreign currency risk because they have no significant foreign currency transactions, and no financial assets denominated in foreign currencies outstanding at the balance sheet date. The Company had financial liabilities denominated in foreign currencies outstanding at the balance sheet date but the amount was immaterial.

31.2 Fair values of financial instruments

Since the majority of the Company's and its subsidiaries' financial assets are short-term and the significant financial liabilities of the Company and the subsidiaries comprise long-term loans bearing interest at rates close to market rates, the fair values of these financial assets and liabilities are not expected to differ materially from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

32 Capital management

The Company and its subsidiaries have set various policies and objectives to leverage in the operation of their businesses. The policies are set to ensure the Company and its subsidiaries maintain financial stability for their operations. According to the balance sheet as at 31 December 2008, the Group's debt-to-equity ratio in was 1.15 : 1 and the Company's was 0.74:1.

33. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2007 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follow:

	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Balance sheets				
<u>Current assets</u>				
Cash and cash equivalents	776,850,413	674,894,782	544,505,871	509,505,871
Current investments	745,302,296	847,257,927	744,198,000	779,198,000
Restricted bank deposits	184,482,989	-	-	-
<u>Non-current assets</u>				
Restricted bank deposits	-	184,482,989	-	-
Income statements				
Administrative expenses	125,108,434	158,048,389	95,782,563	126,046,923
Finance cost	670,583,495	-	560,057,933	-
Interest expenses	-	637,643,540	-	529,793,573

34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2009.